

**Global Aerospace  
Underwriting Managers Limited**

**Annual Report and Financial Statements  
for the  
year ended  
31 December 2021**

Registered Number 02512067



Global Aerospace Underwriting Managers Limited

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**Global Aerospace Underwriting Managers Limited**

**Directors**

**R Barrie**  
(appointed 1 Jan 22)

**N Brown**  
(resigned 31 Dec 21)

**G Finney**

**R Love**

**S A Michael**

**S Österlein**

**A M E Tasker**

**J C Wilkinson**

**Registered Office**  
**Fitzwilliam House**  
**10 St Mary Axe**  
**London EC3A 8EQ**

## STRATEGIC REPORT

### Business review and principal activities

The Company is the holding company of a group of companies, the principal activity of which is the transaction, as agent, of aerospace insurance. During 2021, business was underwritten on behalf of the Global Aerospace Pool, the members of which were:

National Indemnity Company  
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München  
The Tokio Marine & Nichido Fire Insurance Co. Ltd  
Mitsui Sumitomo Insurance Co. Ltd  
Mapfre Re, Compañía de Reaseguros, S.A.

The Group handles claims arising from current and previous business underwritten, and manages the run-off of the British Aviation Insurance Group pool in the UK and Canada and the Associated Aviation Underwriters pool in the US. The Group also provides management services to a number of aerospace insurance operations in run-off. The Company is authorised and regulated by the Financial Conduct Authority as an insurance intermediary. The Group has its Head Office in the UK and has operations in the US, Canada, Switzerland, France and Germany.

The financial performance of the Group depends primarily on the state of the aviation insurance market which has historically been cyclical. The income of the Group comes largely from management charges, fees and commissions charged to current and run-off pool members and depends upon the expenses of the Group, premiums written and pool profitability. The expenses of the Group together with any deficit arising in the Group's defined benefit retirement plans are charged to the pool members by way of a management charge. The profit of the Group is therefore derived from the management fees and profit commissions from the Global Aerospace Pool but also reflects the difference between the reimbursement of any deficit in the defined benefit retirement plans less any amounts recognised as expense during the year.

The business model of the Group also depends on it retaining its own regulatory approvals worldwide and the maintenance of a pool of financially strong insurers who can make available to the Group licensed insurance capacity in the jurisdictions in which the Group transacts aviation insurance worldwide.

Market conditions improved for several years following a difficult period during which premiums were driven down to unprofitable levels. Premium volumes underwritten have grown continuously since that time, the impact of the Covid-19 pandemic notwithstanding. Market sentiment and trading conditions are starting to become less favourable but our expectation is that they will remain satisfactory during 2022, albeit, more challenging.

Note 1 to the financial statements explains the various elements of Group income. The Group's income and Key Performance Indicators (KPIs) in 2021 includes the 2021 management fee and profit commission on the 2020 pool along with an update to the 2019 position. Income also includes the management charge in respect of the Group's expenses. Total income in 2021 was £70 million compared with £59 million in 2020. Because of the charging agreement with pool members, total comprehensive income for the year before currency translation movements is a KPI. This was £11.8 million in 2021 compared with £7.4 million in 2020.

The Group continues to develop and refine its underwriting approach and adopts a selective and disciplined approach to risk selection. The overall financial position at the end of the year was satisfactory and the directors expect this to continue.

The Group has adequate financial resources and enjoys the continued commitment of its pool members. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## STRATEGIC REPORT

### **Principal risks and uncertainties**

The management of the business and execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. Risks are formally reviewed by the Board and processes are in place to monitor and mitigate them.

#### *Market conditions*

The aviation market has historically been cyclical, with market premium rising and falling both as capacity leaves and enters the market and as losses affect trading results. During soft market conditions the business underwritten on behalf of pool members is likely to be less profitable. Underwriting losses could arise due to the potential for catastrophic losses. To mitigate these risks, the Group's underwriting strategy is based on prevailing market conditions and senior management closely monitors and manages the underwriting, which includes holding regular formal reviews. The underwriting is underpinned by loss models and pricing algorithms which are regularly reviewed and updated.

#### *Employees*

The Group's performance depends largely on the expertise and commercial judgments of its staff. The resignation of key individuals or the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate this risk the Group's employment and remuneration strategies contain a number of elements specifically aimed at retaining key staff.

#### *Financial risks*

The Group's activities expose it to financial risks, mainly credit risk, currency risk and interest rate risk. Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only and by spreading deposits over several institutions. Currency risk arises as substantial amounts of the Group's income and assets are US dollar denominated. These exposures are monitored but not generally hedged. Long term interest rate risk arises from the Company's investment in bond funds. The significance of financial instruments to the Group's performance and financial position is further detailed in the financial instruments disclosure note to the financial statements (Note 3).

#### *Impact of Brexit*

We restructured our arrangements in the European Union during 2019 and 2020 to transition seamlessly to the insurance regulatory environment after Brexit so that we continue to underwrite business from the EU. We do this within the EU from our subsidiary company, Global Aerospace Underwriting Managers Europe, based in Paris, or from its branch in Cologne, Germany. We also underwrite EU business in London, through the London branch of Global Aerospace Underwriting Managers Europe which is regulated under the Financial Conduct Authority's temporary permissions regime. This London branch commenced business on 1<sup>st</sup> January 2021.

#### *COVID-19*

Although Covid-19 had a very significant impact on many of our insured clients, especially airlines, particularly at the start of the pandemic, this is now waning as the aviation sector learns to live with Covid-19 and transitions back to business as usual. Whilst there is still increased uncertainty of business volumes for some of our insured clients compared with before the pandemic, we do not consider this to be significant in terms of any impacts on our financial statements.

#### *Russian Invasion of Ukraine*

It is not currently possible to assess with any certainty the impact of the Russian invasion of Ukraine on our business. We have carried out a risk assessment and, subject to the uncertainty, provisionally concluded that, in the context of the financial statements, the impact is likely to be minor. Russian risks underwritten are subject to EU and UK sanctions which prevent the policies from providing the intended coverage.

## STRATEGIC REPORT

### Section 172 Statement

The Directors consider the key stakeholders of the Company to be its customers, its shareholders, its pool members, its employees, and the wider aerospace industry. In their decision-making, the Directors consider both the short and long-term impacts. The Directors promote the success of the Company for the benefit of its stakeholders by:

- Considering the likely consequences of strategic and operational decisions in the long term.
- Rewarding employees' performance and encouraging their personal development. Management briefings, biannual development reviews, health and wellbeing and social initiatives are used to engage with employees
- Providing an excellent service to our customers that is responsive to their aircraft insurance needs. Our long-term partnerships, based on mutual respect and confidence, put the customer at the centre of the Company's business decisions.
- Considering the impact of the Company's operations on the aerospace community and the environment. The Company positively supports the improvement of safety throughout the aerospace industry and considers the environmental impact of the way it runs its office locations.
- Underwriting profitably, operating efficiently and maintaining a reputation for high standards of business conduct and integrity.
- Acting fairly between the Company's key stakeholders when their priorities differ.

Approved and signed on behalf of the Board



N Fernandes  
Company Secretary  
26 April 2022

## DIRECTORS' REPORT

### Group directors' report for the year ended 31 December 2021

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

### Results and dividend

The profit of the Group before income tax for the year ended 31 December 2021 amounted to £11,796,000 (2020: £12,247,000). The profit for the year for the Group was £9,368,000 (2020: £9,893,000). An interim dividend of £7,439,000 was paid in the year (2020: £5,253,000); no final dividend is proposed (2020: nil).

### Directors and their interests

The names of the directors who held office during the year and up to the date of signing are shown on page 2.

None of the directors had any beneficial interest in the share capital of the Group companies at the beginning of the year, during the year, or at the end of the year.

### Directors' indemnities

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the directors and the Company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK Endorsement Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the UK Endorsement Board have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to the Auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 31 December 2021 of which the auditors are unaware; and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## DIRECTORS' REPORT

### Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Mazars LLP as auditors to the Company will be put to the Annual General Meeting.

### Employees

The Group encourages the involvement of employees by means of regular updates on business performance and forecasts, staff surveys and performance related remuneration.

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of gender, race, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled, where possible, the Group continues their employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

### Financial Instruments

The Company holds financial instruments to support unfunded pension and post-retirement benefits as described in Note 14.

### UK Energy and Carbon Report

	2021	2020
Electricity (kWh)	197,162	194,450
Transport (kWh)	<u>1,432</u>	<u>1,196</u>
Total UK Energy (kWh)	<u>198,594</u>	<u>195,646</u>
Tonnes of CO <sub>2</sub> e	<u>42.3</u>	<u>45.7</u>
Tonnes of CO <sub>2</sub> e per full time equivalent	<u>0.5</u>	<u>0.5</u>

The above table was created in accordance with the mandatory requirements of Streamlined Energy & Carbon Reporting (SECR) using the GHG accounting and reporting principals. The figures disclose fuel directly purchased for the London office and its staff in the course of business during the reporting period. Indirect fuel purchases, specifically for the fuel consumed by staff travelling on business by public transport, is excluded. Tonnes of CO<sub>2</sub> equivalent greenhouse gases (CO<sub>2</sub>e) emitted is calculated using the UK Government Conversion Factors for Companies.

The majority of UK energy consumption is incurred through the electric heating/cooling and lighting of the London office and powering of computer equipment. All reasonable steps to reduce energy waste in the London office have been taken. To reduce energy consumption further would require material capital investment.

Approved and signed on behalf of the Board



N Fernandes  
Company Secretary  
26 April 2022



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL AEROSPACE  
UNDERWRITING MANAGERS LIMITED**

**Opinion**

We have audited the financial statements of Global Aerospace Underwriting Managers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated and Parent Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Statement of Changes in Equity, the Consolidated and the Parent Cash Flows Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and

- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment assessment of investments in subsidiaries and goodwill, revenue recognition (which we pinpointed to the cut-off, accuracy, and occurrence), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

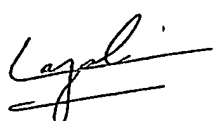
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the audit report**

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Lionel Cazali (Senior Statutory Auditor) for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

4 May 2022

Global Aerospace Underwriting Managers Limited

**CONSOLIDATED BALANCE SHEET**  
as at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	4	64,907	63,997
Intangible assets	4	1,709	1,363
Property, plant and equipment	5	14,660	8,006
Deferred tax asset	7	2,610	2,864
Trade and other receivables	8	6,845	1,132
Financial assets	9	8,115	9,487
Retirement plan assets	14	3,031	1,337
		<u>101,877</u>	<u>88,186</u>
<b>Current assets</b>			
Trade and other receivables	8	10,661	8,502
Cash and cash equivalents	10	27,419	27,401
Current tax asset		1,123	544
		<u>39,203</u>	<u>36,447</u>
<b>Total Assets</b>		<u><u>141,080</u></u>	<u><u>124,633</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	11	75,420	75,420
Cumulative translation reserve	12	4,617	3,504
Retained earnings		12,736	8,378
<b>Total Equity</b>		<u>92,773</u>	<u>87,302</u>
<b>Non-current liabilities</b>			
Lease liabilities	17	10,043	5,105
Trade and other payables	13	4,462	2,666
Contract liabilities	16	859	1,011
Deferred tax liability	7	417	183
Retirement benefit obligations	14	7,784	9,139
Provisions	15	385	302
		<u>23,950</u>	<u>18,406</u>
<b>Current liabilities</b>			
Lease liabilities	17	1,512	2,129
Trade and other payables	13	11,147	8,447
Contract liabilities	16	11,038	8,296
Current tax liabilities		660	53
		<u>24,357</u>	<u>18,925</u>
<b>Total Liabilities</b>		<u>48,307</u>	<u>37,331</u>
<b>Total Equity and Liabilities</b>		<u><u>141,080</u></u>	<u><u>124,633</u></u>

The financial statements on pages 11 to 49 were approved by the Board on 26 April 2022 and signed on its behalf by

S A Michael  
Director



A M E Tasker  
Director



Registered number: 02512067

Global Aerospace Underwriting Managers Limited

**PARENT COMPANY BALANCE SHEET**  
as at 31 December 2021

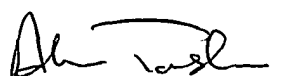
	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4	262	140
Property, plant and equipment	5	3,356	3,876
Investments in subsidiaries	6	91,839	91,839
Deferred tax asset	7	-	299
Trade and other receivables	8	3,549	1,256
Retirement plan assets	14	2,835	-
		<u>101,841</u>	<u>97,410</u>
<b>Current assets</b>			
Trade and other receivables	8	4,834	5,900
Cash and cash equivalents	10	13,402	8,764
Current tax asset		<u>1,122</u>	<u>84</u>
		<u>19,358</u>	<u>14,748</u>
<b>Total Assets</b>		<u><u>121,199</u></u>	<u><u>112,158</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	11	75,420	75,420
Retained earnings		<u>27,980</u>	<u>26,153</u>
<b>Total Equity</b>		<u><u>103,400</u></u>	<u><u>101,573</u></u>
<b>Non-current liabilities</b>			
Lease liabilities	17	2,837	3,366
Trade and other payables	13	1,769	1,126
Retirement benefit obligations	14	-	1,255
Contract liabilities	16	27	33
Deferred tax liability	7	417	-
Provisions	15	<u>240</u>	<u>234</u>
		<u>5,290</u>	<u>6,014</u>
<b>Current liabilities</b>			
Lease liabilities	17	657	604
Trade and other payables	13	7,007	1,400
Contract liabilities	16	4,823	2,562
Current tax liability		<u>22</u>	<u>5</u>
		<u>12,509</u>	<u>4,571</u>
<b>Total Liabilities</b>		<u><u>17,799</u></u>	<u><u>10,585</u></u>
<b>Total Equity and Liabilities</b>		<u><u>121,199</u></u>	<u><u>112,158</u></u>

The financial statements on pages 11 to 49 were approved by the Board on 26 April 2022 and signed on its behalf by

S A Michael  
Director



A M E Tasker  
Director



Registered number: 02512067

Global Aerospace Underwriting Managers Limited

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	18	70,209	59,169
Administrative expenses	19	(58,491)	(47,197)
Other gains	20	<u>82</u>	<u>338</u>
<b>Operating profit</b>		<b>11,800</b>	<b>12,310</b>
Finance income	21	262	607
Finance costs	21	<u>(266)</u>	<u>(670)</u>
<b>Profit before tax</b>		<b>11,796</b>	<b>12,247</b>
Tax expense	22	<u>(2,428)</u>	<u>(2,354)</u>
<b>Profit for the year</b>		<b><u>9,368</u></b>	<b><u>9,893</u></b>
<b>OTHER COMPREHENSIVE INCOME (NET OF TAX)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit obligation		2,898	(2,822)
<b>Items that may be subsequently reclassified to profit or loss</b>			
Gains/(losses) on financial assets measured at fair value through other comprehensive income		(469)	368
<b>Total comprehensive income for the year before currency translation movements</b>		<b><u>11,797</u></b>	<b><u>7,439</u></b>
Currency translation difference	12	1,113	(2,631)
<b>Total comprehensive income for the year</b>		<b><u>12,910</u></b>	<b><u>4,808</u></b>

Global Aerospace Underwriting Managers Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2021

	Note	Share Capital £'000	Cumulative translation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2020		25,000	6,135	6,192	37,327
Profit for the year				9,893	9,893
<b>Other comprehensive income</b>					
Remeasurement of defined benefit obligation				(2,822)	(2,822)
Gains on financial assets measured at fair value through other comprehensive income				368	368
Currency translation differences	12		(2,631)		(2,631)
Total comprehensive income for the year					4,808
<b>Transactions with owners</b>					
Dividend paid				(5,253)	(5,253)
Issue of ordinary shares		50,420			50,420
Balance at 31 December 2020		<u>75,420</u>	<u>3,504</u>	<u>8,378</u>	<u>87,302</u>
Balance at 1 January 2021		75,420	3,504	8,378	87,302
Profit for the year				9,368	9,368
<b>Other comprehensive income</b>					
Remeasurement of defined benefit obligation				2,898	2,898
Losses on financial assets measured at fair value through other comprehensive income				(469)	(469)
Currency translation differences	12		1,113		1,113
Total comprehensive income for the year					12,910
<b>Transactions with owners</b>					
Dividend paid				(7,439)	(7,439)
Balance at 31 December 2021		<u>75,420</u>	<u>4,617</u>	<u>12,736</u>	<u>92,773</u>

Global Aerospace Underwriting Managers Limited

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2021

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2020	25,000	24,070	49,070
Profit for the year		10,117	10,117
<b>Other comprehensive income</b>			
Remeasurement of defined benefit obligation		(2,781)	(2,781)
Total comprehensive income for the year			7,336
<b>Transactions with owners</b>			
Dividend paid		(5,253)	(5,253)
Issue of ordinary shares	50,420		50,420
Balance at 31 December 2020	75,420	26,153	101,573
Balance at 1 January 2021	75,420	26,153	101,573
Profit for the year		6,790	6,790
<b>Other comprehensive income</b>			
Remeasurement of defined benefit obligation		2,476	2,476
Total comprehensive income for the year			9,266
<b>Transactions with owners</b>			
Dividend paid		(7,439)	(7,439)
Balance at 31 December 2021	75,420	27,980	103,400

Total recognised income and expense for the year is the same as profit for the year.



Global Aerospace Underwriting Managers Limited

**CONSOLIDATED CASH FLOWS STATEMENT**  
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	25	16,161	14,738
Interest paid		(268)	(292)
Income tax paid		<u>(2,701)</u>	<u>(1,651)</u>
Net cash generated from operating activities		<u>13,192</u>	<u>12,795</u>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment		(4,219)	(291)
Purchases of intangible assets		(1,108)	(850)
Purchase of investments		(50)	(9)
Interest received		16	91
Proceeds from sale of property, plant and equipment		1	-
Proceeds from sale of investments		<u>1,289</u>	<u>1,995</u>
Net cash used in investing activities		<u>(4,071)</u>	<u>936</u>
<b>Cash flow from financing activities</b>			
Repayment of lease borrowings		(2,040)	(2,254)
Dividends paid to Company's shareholders		(7,439)	(5,253)
Interest paid on shareholder loan		-	(370)
Net cash used in financing activities		<u>(9,479)</u>	<u>(7,877)</u>
Net increase/(decrease) in cash and cash equivalents		(358)	5,854
Cash and cash equivalents at beginning of year	10	27,401	22,323
Exchange gain/(loss) on cash and cash equivalents		<u>376</u>	<u>(776)</u>
Cash and cash equivalents at end of the year	10	<u>27,419</u>	<u>27,401</u>

Global Aerospace Underwriting Managers Limited

**PARENT COMPANY CASH FLOWS STATEMENT**  
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	25	11,085	7,067
Interest paid		(113)	(131)
Income tax paid		(1,759)	(1,693)
Net cash generated from operating activities		<u>9,213</u>	<u>5,243</u>
<b>Cash flow from investing activities</b>			
Purchases of intangible assets		(213)	(103)
Purchases of property, plant and equipment		(11)	(55)
Dividend received		3,699	3,906
Interest received		2	24
Proceeds from sale of property, plant and equipment		<u>1</u>	<u>-</u>
Net cash generated from investing activities		<u>3,478</u>	<u>3,772</u>
<b>Cash flow from financing activities</b>			
Repayment of lease borrowings		(614)	(585)
Dividends paid to Company's shareholders		(7,439)	(5,253)
Interest paid on shareholder loan		-	(370)
Net cash used in financing activities		<u>(8,053)</u>	<u>(6,208)</u>
 Net increase in cash and cash equivalents		 4,638	 2,807
Cash and cash equivalents at beginning of year	10	<u>8,764</u>	<u>5,957</u>
Cash and cash equivalents at end of the year	10	<u>13,402</u>	<u>8,764</u>

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**1. ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The consolidated financial statements of Global Aerospace Underwriting Managers Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the UK Endorsement Board, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss. The going concern basis has been used.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

**Consolidation**

The consolidated financial statements comprise the financial statements of Global Aerospace Underwriting Managers Limited and its subsidiaries as at 31 December each year. No profit or loss account is presented for Global Aerospace Underwriting Managers Limited, as provided by Section 408 of the Companies Act 2006. The profit after tax of the Company for the year is £6,790,000 (2020: £10,117,000).

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for the purchase of subsidiaries. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill.

The Group uses the predecessor value method to account for the transfer of business within the Group, where ultimate control of the transferred business remains unchanged. Assets and liabilities are transferred at their net book value, no goodwill is recorded, and no profit or loss is recognised.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**Foreign currency**

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Since most of the income in foreign currencies is earned over the year, the use of the average rate for the year is the most appropriate rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**1. ACCOUNTING POLICIES (continued)**

**Financial statements of foreign operations**

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- 1) The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to Sterling at exchange rates at the balance sheet date.
- 2) The revenues and expenses of foreign operations are translated to sterling at rates approximating the exchange rates at the dates of the transactions.

**Net investment in foreign operations**

Exchange differences arising at year end from the translation of net investment in foreign operations are taken to the translation reserve.

**Property, plant and equipment**

All property, plant and equipment are shown at cost less subsequent depreciation.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Computer equipment	3-6 years
Equipment	5-6 years
Aircraft and motor vehicles	4-5 years

Equipment includes furniture and fixtures. Premises leases and leasehold improvements are depreciated over the lease term.

**Intangible assets**

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised on the basis of the expected useful life (2-3 years). Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (2-3 years).

**Investments in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses.

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is an intangible asset presented separately in the balance sheet. Goodwill has an indefinite useful life and is tested annually for impairment, or more frequently if events or changes in circumstances indicate potential impairment, and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to individual subsidiaries as these are regarded as being individual cash generating units (CGUs).

Goodwill arising on acquisitions before the transition to IFRS on 1 January 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment.

**Financial Assets**

Financial assets are investments held to support deficits and liabilities of the Group's post-retirement schemes. Purchases and sales of investments are recognised on the date of trade. The fair value of the mutual funds are based on their net asset value per share.

**Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within leases in current liabilities on the balance sheet.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is recognised on all taxable temporary differences using the balance sheet liability method. In addition, a deferred tax asset is recognised to the extent that it is probable that a taxable surplus will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

**Pension obligations**

The Group operates defined benefit pension schemes and defined contribution savings plans. Separate schemes are offered to employees in the United Kingdom, United States of America, Canada, France, Switzerland and Germany. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses that arise from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

For defined contribution plans, amounts payable to the plan are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available. The group has no further payment obligations once the contributions have been paid.

**Other post-retirement benefits**

In the United States of America post-retirement healthcare is provided to certain retirees. The entitlement to those benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to comprehensive income.

**Leases**

The Group is the lessee of certain property, plant and equipment.

On the commencement date of each lease, a right-of-use asset is recognised in property, plant and equipment and a corresponding lease liability is recognised in leases. The lease liability is equal to the contractual cash flows discounted at the rate of interest implicit in the lease or at the Group's incremental borrowing rate. The lease term covers any non-cancellable period and any optional periods which management are reasonably certain will be exercised.

The right of use asset is depreciated over the shorter of the lease term and the useful life of the asset. The finance costs of the lease liability are charged to the statement of comprehensive income. Lease payments reduce the lease liability.

The Group currently uses an incremental borrowing rate of LIBOR + 2.00%, where LIBOR is the three-month maturity rate at the commencement date, in the underlying lease currency. The Group's incremental borrowing rate is reassessed at the inception of each major lease. The payments of low value leases and short-term leases are charged to the statement of comprehensive income on a straight-line basis. As a practical expedient, non-lease components are only separated from lease components for premises leases.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**1. ACCOUNTING POLICIES (continued)**

The Group also sublets certain property as an intermediate lessor. The sublease is classified as an operating lease because the Group substantially retains the risks and rewards of ownership. Operating lease income is recognised over the sublease term on a straight-line basis.

**Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

**Revenue**

*Management charge*

Pool Members reimburse the Group's expenses as consideration for transacting aerospace insurance as their agent. Funding is received quarterly in advance and revenue is recognised through the year as expenses are incurred. The excess of funding received over revenue recognised for the current calendar year is a liability repayable to the pool members since, by year end, the Group has fulfilled its performance obligations for the year. Any funding received during the year in respect of the following year is a contract liability which reflects the Group's obligations in respect of the following calendar year.

*Management fee*

Pool Members pay a fee based on the aggregate gross written premium as consideration for transacting aerospace insurance on their behalf. Revenue is recorded on an estimated basis as premiums are written and is adjusted over the next two years, to reflect changes in estimated gross written premium, until the fee is received. Once the fee is received, no further adjustments to revenue are made.

*Profit commission*

Pool Members pay the Group a fee based on the total pool trading return as consideration for transacting aerospace insurance on their behalf. This performance obligation is satisfied throughout the year. The total trading returns cannot be reliably estimated until sometime after the year end as claims take time to be notified and settled. Therefore profit commission is only recognised as a receivable when it's probable that a significant reversal of revenue will not be required. For the 20x1 pool year total trading return, profit commission will first be recognised on an expected value basis in 20x2, then revised in 20x3 as loss experience develops; consideration is received in 20x4. Once consideration is received, no further adjustments to revenue are made. When an underwriting year makes a loss, the reduction this makes to the profit commission for the next profitable underwriting year is recognised when that profit commission is credited.

*Other Aviation Insurance Management Revenue*

This revenue category includes fees charged to policyholders, co-insurers and reinsurers. Where the Group transacts insurance as the lead market, policyholders are charged for the additional administrative work undertaken. Co-insurers are charged for claims handling and surveys undertaken. Ceding commission and other similar income streams are received from proportional reinsurers. In each of these contracts, revenue is recognised as services are provided. Some elements of this consideration are variable but are not constrained and all payment terms are within one year.

*Fireside Disaster Response*

Fireside generates revenue from service agreements and other emergency response related services. Service agreements typically cover a one-year term and provide asset monitoring by Fireside's Emergency Operations Centre. Consideration is received at contract inception and revenue is recognised evenly over the contract term. A contract liability for outstanding service agreement obligations is recognised each reporting period. Additional revenues are generated from training, speaking, seminars, consulting engagements, and disaster response services. Revenue for these engagements are recognised when the services are performed.

*Sublease Income*

The Company sublets its Vancouver office space, the head lease and sub-lease both expire on 30 June 2023.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**1. ACCOUNTING POLICIES (continued)**

**Dividend distribution**

Dividend distribution to the Company's shareholders is not recognised in the Group's financial statements until dividends are approved by the board and paid.

**Changes to accounting standards**

*New and amended standards adopted by the group*

No new standards or amendments to standards became effective from 1 January 2021 that had an impact on the consolidated financial statements of the Group.

*New standards and interpretations not yet adopted*

Several amendments to standards that will become effective on or after 1 January 2022 have been issued but have not been adopted in the preparation of these financial statements. None of these amendments are expected to have a material impact on the consolidated financial statements of the Group when they are adopted.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Estimated impairment of goodwill and investments in subsidiaries**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1 above. The recoverable amount of a cash-generating unit (CGU) is determined based on cash flows of the underwriting pool. These calculations require the use of estimates of premiums written, loss ratios and the timing of cash flows (see Note 4).

**Pension Benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and with terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 14.

**Revenue Recognition**

The Pool Members' Agreement describes the services to be provided by the Group as agent to the Pool Members in exchange for remuneration via management charge, management fee and profit commission. The Group provides these services as a single integrated product. For that reason, in the opinion of management, the services in the Pool Members' Agreement constitute a single performance obligation which is fulfilled each calendar year.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

### 3. FINANCIAL RISKS

The financial instruments held by the Group and Company are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	27,419	27,401	13,402	8,764
Trade and other receivables	15,966	9,271	7,532	6,468
Financial assets at fair value through profit or loss	378	322	-	-
Financial assets at fair value through other comprehensive income	7,737	9,165	-	-
Trade and other payables	14,539	11,300	8,776	2,525
Lease liabilities	11,555	7,234	3,494	3,970

The carrying amount of financial instruments approximates to their fair value.

The Group charges all expenses incurred in managing pool business directly to those pool members. Funds for those expenses are generally collected in advance and expenses charged are reduced by interest received on such funds held. Accordingly, with the exception of market risk, any risks giving rise to changes in the net expenses charged to pool members and other entities has no effect on the Group's profit or shareholders' equity.

The main risks arising from the use of financial instruments by the Group are credit risk, market risk (encompassing currency risk, interest rate risk and other price risk) and liquidity risk. The Group's exposure to these risks and how the exposure is managed is set out below:

#### 3a. Credit risk

Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only. Credit risk also arises on trade and other receivables as debtors could default on their obligation to pay monies due to the Group.

##### i) Trade and Other Receivables Overdue

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Under one month	168	164	53	55
Two to six months	358	313	280	284
Six months to one year	-	26	-	26
More than one year	10	8	10	5
	<u>536</u>	<u>511</u>	<u>343</u>	<u>370</u>

No expected credit losses have been recognised during the period in respect of trade receivables. Receivables due from pool members carry very low credit risk since any default would be recovered from forthcoming payables. When the historical default rate for each category of receivable is applied to the respective outstanding balances at the reporting date, the total expected credit losses are immaterial. The majority of aged receivables detailed above are leader's fees which routinely take longer than 60 days to recover but historically have a negligible default rate. Management monitors the leader's fee recoverability monthly and balances are written off only in the case of default. Other receivable categories with marginally higher default rates are written off when they are 12 months past due but they remain subject to enforcement activity until they default. Management considers receivables to be in default only when there is no reasonable possibility of recovery.



Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

3. FINANCIAL RISKS (continued)  
3a) Credit risk (continued)

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Maximum exposure to credit risk	<u>4,504</u>	<u>4,087</u>	<u>1,103</u>	<u>1,137</u>

ii) *Debt Instruments at Fair Value through Other Comprehensive Income*

To measure expected credit losses, each of the underlying debt instruments are grouped by credit quality and the relevant Standard and Poors default rate is applied to the aggregate value of each group. Loss allowances are limited to 12 months of expected credit losses since there has been no significant increase in credit risk since initial recognition. The size of the loss allowance measured is trivial and therefore no impairment has been recognised in respect of financial assets held at fair value through other comprehensive income. Changes in credit risk are assessed annually by calculating the composite default rate of the assets held on the reporting date and comparing them to the composite default rate when the same assets were initially recognised.

3b) Market risk

**Currency risk**

The Group is exposed to currency risk on items that are denominated in a currency other than the respective functional currency of the Group entities. The risk arises primarily for the UK parent company as substantial amounts of the Group's income and receivables are US dollar denominated. As the Group's net income is expected to be distributed to shareholders by way of dividends, and as each shareholder's functional currency is different (and not sterling) these exposures are not hedged. Foreign currency income is sold at spot rates to fund the tax, interest and dividend cash flows which are denominated in sterling. The Group's sensitivity to changes in the USD:GBP rate of exchange is shown below.

The Group and Company had the following exposures to the US Dollar (based on notional amounts):

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	14,884	19,138	2,135	3,125
Trade and other receivables	17,434	12,487	12,665	7,735
Financial assets at fair value through profit or loss	378	322	-	-
Financial assets at fair value through other comprehensive income	7,737	9,165	-	-
Trade and other payables	(6,304)	(8,842)	(854)	(19)
Lease liabilities	(7,279)	(2,258)	-	-
	<u>26,850</u>	<u>30,012</u>	<u>13,946</u>	<u>10,841</u>

At 31 December 2021, £1 = US \$1.3477 (2020: US \$1.3669) and the average exchange rate during the year was £1 = US \$1.3757 (2020: US \$1.2837).

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**3. FINANCIAL RISKS (continued)**  
**3b) Market risk (continued)**

Movements in the value of financial instruments arising from movements in the value of the US dollar at 31 December would have had the following effects on profit after tax and equity:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Profit</b>				
Increase of 10 %	(469)	(318)	(469)	(318)
Decrease of 10 %	574	389	574	389
<b>Equity</b>				
Increase of 10 %	(2,304)	(2,266)	(469)	(318)
Decrease of 10 %	2,816	2,770	574	389

**Interest rate risk**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Variable rate instruments</b>				
Cash and cash equivalents	27,419	27,401	13,402	8,764
Financial assets at fair value through profit or loss	146	117	-	-
Financial assets at fair value through other comprehensive income	7,737	9,165	-	-

Short-term interest rate risk arises on deposits of cash and cash equivalents. Longer term interest rate risk arises on investments in bond funds. Investments are held to support various post-retirement benefit plans and are limited to the liability associated with those plans. They are designated as fair value through other comprehensive income in order to avoid any accounting mismatch with the pension charge in the income statement. A one percent change in long term interest rates would have resulted in a movement of £1,059,000 (2020: £1,346,000) in valuation. There would have been no change in total comprehensive income for the year as the management charge income would be adjusted to reflect the change in value.

**3c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Funding for the Group's operating expenses is received from pool members in advance each quarter. Other significant cash out flows are expected to be covered by the management fee from the insurance pools and dividends from subsidiaries and are monitored via a cash flow forecast. Cash balances are monitored regularly, at least on a weekly basis.

Global Aerospace Underwriting Managers Limited  
Notes to the Financial Statements  
At 31 December 2021

**3. FINANCIAL RISKS (continued)**  
**3c) Liquidity risk (continued)**

A maturity analysis for financial liabilities showing the remaining contractual maturities is shown below:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade and other payables				
Less than one year	10,741	9,125	7,213	1,625
1 to 5 years	2,958	1,257	1,368	643
More than 5 years	840	918	195	257
Lease liabilities				
Less than one year	1,790	2,328	745	709
1 to 5 years	6,541	4,286	2,903	2,761
More than 5 years	4,391	1,276	-	851

**3d) Capital management**

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders, to maintain adequate capital to meet regulatory requirements in the UK and to maintain an efficient capital structure to ensure an optimal cost of capital. Since the cancellation of the shareholders' loan on 17 April 2020, the Group's capital structure is entirely equity. The business model of the Group, whereby the Group's expenses are reimbursed by the companies to which it provides services, means that the Group can normally distribute as dividends its comprehensive income for the year excluding currency translation difference.

The parent Company needs to maintain a minimum level of capital to meet FCA regulatory requirements. Compliance with these requirements is reviewed regularly including a formal board review of capital adequacy which includes stress and scenario testing. The Company has complied with the FCA requirements during the year.

**3e) Fair value estimation**

Financial instruments are measured in the balance sheet at their fair value which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments totalling £8,115,000 constitute £7,883,000 of bond fund investments and £232,000 of equity investments held by the group. In 2020, the financial instruments totalling £9,487,000 constituted £9,282,000 of bond fund investments and £205,000 of equity investments held by the group. These are valued at their net asset value and are all categorised as level 1.

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**4. INTANGIBLE ASSETS**

<b>A) Group</b>	<b>Goodwill £'000</b>	<b>Software £'000</b>
<b>At 1 January 2021</b>		
Cost or valuation	92,676	11,861
Accumulated amortisation	<u>(28,679)</u>	<u>(10,498)</u>
Net book amount	<u>63,997</u>	<u>1,363</u>
<b>Twelve months ended 31 December 2021</b>		
Opening net amount at 1 January 2021	63,997	1,363
Exchange differences	910	4
Additions	-	1,120
Disposals	-	(12)
Amortisation charge	<u>-</u>	<u>(766)</u>
Net book amount	<u>64,907</u>	<u>1,709</u>
<b>At 31 December 2021</b>		
Cost or valuation	93,994	11,417
Accumulated amortisation	<u>(29,087)</u>	<u>(9,708)</u>
Net book amount	<u>64,907</u>	<u>1,709</u>

The recoverable amount of a CGU is determined based on returns of the underwriting pool managed by that CGU. These calculations use discounted cash flow projections which extend forward to a terminal value. The cash flows are based on financial forecasts approved by management, covering a five-year period, and are projected beyond that using a growth rate of 2.70%. Cash flows are discounted to net present value using an after-tax discount rate of 6.13%. Forecasts assume that premium income will decline over the next five years, that loss ratios will not be materially different from current trading and that investment income on funds generated will be 0.99% p.a.

<b>B) Company</b>	<b>Software £'000</b>
<b>At 1 January 2021</b>	
Cost or valuation	1,763
Accumulated amortisation and impairment	<u>(1,623)</u>
Net book amount	<u>140</u>
<b>Twelve months ended 31 December 2021</b>	
Opening net amount at 1 January 2021	140
Additions	213
Amortisation charge	<u>(91)</u>
Net book amount	<u>262</u>
<b>At 31 December 2021</b>	
Cost or valuation	1,976
Accumulated amortisation and impairment	<u>(1,714)</u>
Net book amount	<u>262</u>

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**5. PROPERTY, PLANT AND EQUIPMENT**

**A) Group**

	Premises £'000	Equipment £'000	Computer Equipment £'000	Aircraft and Motor Vehicles £'000	Total £'000
<b>At 1 January 2021</b>					
Cost or valuation	9,800	6,494	1,499	172	17,965
Accumulated depreciation	<u>(3,760)</u>	<u>(5,011)</u>	<u>(1,016)</u>	<u>(172)</u>	<u>(9,959)</u>
Net book amount	<u>6,040</u>	<u>1,483</u>	<u>483</u>	<u>-</u>	<u>8,006</u>
<b>Twelve months ended 31 December 2021</b>					
Opening net amount at 1 January 2021	6,040	1,483	483	-	8,006
Exchange differences	(3)	3	-	-	-
Additions	5,197	4,211	55	-	9,463
Disposals	-	(34)	(22)	-	(56)
Depreciation charge	<u>(1,955)</u>	<u>(630)</u>	<u>(168)</u>	<u>-</u>	<u>(2,753)</u>
Closing net book value at 31 December 2021	<u>9,279</u>	<u>5,033</u>	<u>348</u>	<u>-</u>	<u>14,660</u>
<b>At 31 December 2021</b>					
Cost or valuation	12,430	7,048	1,254	174	20,906
Accumulated depreciation	<u>(3,151)</u>	<u>(2,015)</u>	<u>(906)</u>	<u>(174)</u>	<u>(6,246)</u>
Net book amount	<u>9,279</u>	<u>5,033</u>	<u>348</u>	<u>-</u>	<u>14,660</u>

**B) Company**

	Premises £'000	Equipment £'000	Computer Equipment £'000	Total £'000
<b>At 1 January 2021</b>				
Cost or valuation	4,382	1,329	785	6,496
Accumulated depreciation	<u>(1,034)</u>	<u>(973)</u>	<u>(613)</u>	<u>(2,620)</u>
Net book amount	<u>3,348</u>	<u>356</u>	<u>172</u>	<u>3,876</u>
<b>Twelve months ended 31 December 2021</b>				
Opening net amount at 1 January 2021	3,348	356	172	3,876
Additions	139	1	9	149
Disposals	-	(1)	-	(1)
Depreciation charge	<u>(529)</u>	<u>(75)</u>	<u>(64)</u>	<u>(668)</u>
Closing net book value at 31 December 2021	<u>2,958</u>	<u>281</u>	<u>117</u>	<u>3,356</u>
<b>At 31 December 2021</b>				
Cost or valuation	4,521	1,319	611	6,451
Accumulated depreciation	<u>(1,563)</u>	<u>(1,038)</u>	<u>(494)</u>	<u>(3,095)</u>
Net book amount	<u>2,958</u>	<u>281</u>	<u>117</u>	<u>3,356</u>

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**6. INVESTMENTS IN SUBSIDIARIES**

	2021 £'000	2020 £'000
At 1 January	91,839	91,839
Investments during the period	-	-
At 31 December	<u>91,839</u>	<u>91,839</u>

Details of Investments in Subsidiaries can be found in Note 26.

**7. DEFERRED TAX**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Deferred tax assets:</b>				
Deferred tax asset to be recovered after more than 12 months	2,395	2,146	291	299
Deferred tax asset to be recovered within 12 months	1,331	759	-	-
	<u>3,726</u>	<u>2,905</u>	<u>291</u>	<u>299</u>
<b>Deferred tax liabilities</b>				
Deferred tax liability to be paid after more than 12 months	(1,533)	(224)	(708)	-
Deferred tax liability to be paid within 12 months	-	-	-	-
	<u>2,193</u>	<u>2,681</u>	<u>(417)</u>	<u>299</u>
 The gross movement on the deferred income tax account is as follows:				
At beginning of the year	2,681	2,748	299	(258)
Exchange differences	35	(72)	-	-
Income statement (charge)/credit	266	47	111	(62)
Adjustment in respect of prior years	15	(587)	(2)	(33)
Tax (charge)/credit relating to components of other comprehensive income	<u>(804)</u>	<u>545</u>	<u>(825)</u>	<u>652</u>
	<u>2,193</u>	<u>2,681</u>	<u>(417)</u>	<u>299</u>
 Disclosed in the balance sheet as:				
Deferred tax asset	2,610	2,864	-	299
Deferred tax liability	<u>(417)</u>	<u>(183)</u>	<u>(417)</u>	<u>-</u>
	<u>2,193</u>	<u>2,681</u>	<u>(417)</u>	<u>299</u>

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**7. DEFERRED TAX (continued)**

The deferred tax balance is analysed below. All items are charged through the statement of comprehensive income.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Fixed asset decelerated capital allowances	85	59	84	59
Employee remuneration liabilities	1,544	527	207	2
Other timing differences	424	139	-	-
Post retirement obligations	1,673	2,180	-	238
Total gross deferred tax asset	3,726	2,905	291	299
Fixed asset accelerated capital allowance	(823)	(61)	-	-
Pension asset	(710)	(163)	(708)	-
Total gross deferred tax liability	(1,533)	(224)	(708)	-
Deferred tax asset/(liability)	2,193	2,681	(417)	299

**8. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Non-Current</b>				
Receivable from contracts with customers				
Management services to pool members	6,746	1,019	3,503	1,201
Other				
Other receivables	99	113	46	55
	6,845	1,132	3,549	1,256
<b>Current</b>				
Receivable from contracts with customers				
Management services to pool members	4,354	1,172	1,689	1,159
Other management services	3,145	5,411	1,441	1,838
Fireside disaster response	377	245	-	-
Other				
Amounts owed by subsidiaries	-	-	862	2,191
Other receivables	1,341	202	87	124
Prepayments	1,444	1,472	755	588
	10,661	8,502	4,834	5,900

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**9. FINANCIAL ASSETS**

	<b>FVOCI</b> <b>£'000</b>	<b>FVPL</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
At 1 January 2020	10,252	325	10,577
Investment income	512	-	512
Realised gain on investments	333	-	333
Unrealised gain on investments	488	-	488
Additions	-	9	9
Disposals	(1,995)	-	(1,995)
Exchange differences	(425)	(12)	(437)
At 31 December 2020	<u>9,165</u>	<u>322</u>	<u>9,487</u>
At 1 January 2021	9,165	322	9,487
Investment income	246	-	246
Realised gain on investments	112	-	112
Unrealised loss on investments	(622)	-	(622)
Additions	-	50	50
Disposals	(1,289)	-	(1,289)
Exchange differences	125	6	131
At 31 December 2021	<u>7,737</u>	<u>378</u>	<u>8,115</u>
Investments in bond funds	7,737	146	7,883
Investments in equity funds	-	232	232
At 31 December 2021	<u>7,737</u>	<u>378</u>	<u>8,115</u>

Assets held at fair value through other comprehensive income (FVOCI) are investments held in respect of post-employment medical scheme deficits and supplemental pension scheme liabilities.

Assets held at fair value through profit or loss (FVPL) are investments held in respect of US post-retirement liabilities. Management has made an irrevocable election to designate the US post-retirement liabilities as fair value through profit or loss in order to eliminate accounting mismatches. Accordingly, changes to the fair value of the investments have no impact on the statement of comprehensive income, since all such movements are eliminated by the equal and opposite movements in the fair value of the US post-retirement liabilities.

**10. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	10,261	13,784	6,679	4,175
Short-term bank deposits	17,158	13,617	6,723	4,589
	<u>27,419</u>	<u>27,401</u>	<u>13,402</u>	<u>8,764</u>

Cash and cash equivalents for the purposes of the cash flow statement are the same as those listed above.



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**11. SHARE CAPITAL**

	2021 £'000	2020 £'000
Authorised, allotted, called up and fully paid 75,420,379 (2020: 75,420,379) Ordinary shares of £1 each	<u>75,420</u>	<u>75,420</u>

**12. CUMULATIVE TRANSLATION RESERVE**

	2021 £'000	2020 £'000
At 1 January	3,504	6,135
Exchange adjustments	1,113	(2,631)
At 31 December	<u>4,617</u>	<u>3,504</u>

**13. TRADE AND OTHER PAYABLES**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Non-current</b>				
Accrued expenses	4,084	2,344	1,769	1,126
Financial liabilities at fair value through profit or loss	378	322	-	-
	<u>4,462</u>	<u>2,666</u>	<u>1,769</u>	<u>1,126</u>
<b>Current</b>				
Amount due to subsidiaries	-	-	655	50
Other payables	2,022	5,195	2,589	415
Accrued expenses	9,125	3,252	3,763	935
	<u>11,147</u>	<u>8,447</u>	<u>7,007</u>	<u>1,400</u>

#### 14. POST-RETIREMENT BENEFITS

The Group has a number of pension and post-retirement benefit schemes for its employees. Schemes are administered in accordance with local laws and practice. The principal schemes are the ones established in the UK and US, which together cover the vast majority of the employees in the Group.

The UK scheme provides defined contribution type pension benefits for employees. Previously the scheme also provided defined benefit pension benefits to certain employees but following a consultation process with affected members, defined benefit accrual ceased on 31 March 2018. The Trustee is required to equalise UK Guaranteed Minimum Pensions between men and women and is working on implementing this.

In the US, there is a defined contribution savings scheme for all employees. There is also a funded scheme of the defined benefit type with assets held in a separate trustee administered fund and a further defined benefit scheme (the US supplemental pension scheme) for which the company holds assets but not within a trust fund. Both these defined benefit schemes are closed to accrual. In 2015, annuities for all pensioner members of the US defined benefit scheme were purchased, funded through the liquidation of scheme assets.

In Canada, a smaller scheme is operated. The scheme has a defined benefit section and a defined contribution section which was introduced with effect from 1 January 2003. Employees joining the company on or after 1 May 2002 are eligible for membership of the defined contribution scheme, while the defined benefit scheme continued for existing members but subsequently closed to accrual effective 31 March 2020. During 2021, the affected employees converted some of their defined benefit entitlements to the scheme's defined contribution plan, with the remainder being transferred out.

The Group provides defined benefit medical and dental post-retirement benefits to certain employees in the US. The cost and obligation is accrued and recognised over the period of relevant employee service. This scheme closed to new members with effect from 31 December 2002. Medical benefits under the scheme are provided through a fully insured Medicare supplement program for participants over the age of 65. Medical benefits for participants under the age of 65 are provided through the Company's primary medical insurance program. This obligation is supported through assets held in both a separate trust as well as assets held by the Company but outside of the trust. The trust was initially funded during 2017. The amount funded was the maximum amount permissible under the US tax regulations. The funds in the trust were invested in identical assets to those outside of the trust. With effect from 1 January 2019, the Company changed how medical benefits are provided to participants over the age of 65. Previously, the Company purchased a supplemental medical insurance policy for each eligible participant and the participant made a contribution to the Company for a portion of the insurance premium. For 2019, the scheme was changed, as the Company will now provide a set amount (stipend) every month to each eligible participant. Each participant will then select the medical insurance policy that is best suited for their particular circumstances. The amount of the Company's stipend will increase by 5% per year. In 2020, a similar change was made to the dental plan whereby retirees over the age of 65 will receive a monthly stipend.

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**14. POST-RETIREMENT BENEFITS (continued)**

The amounts recognised in the balance sheet for post-retirement benefits are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Defined benefit pension schemes</b>				
Present value of funded obligations	96,639	102,958	84,871	87,268
Fair value of scheme assets	(99,670)	(103,040)	(87,706)	(86,013)
	(3,031)	(82)	(2,835)	1,255
Present value of unfunded obligations	2,251	2,398	-	-
Total deficit/(surplus)	(780)	2,316	(2,835)	1,255
<b>Post-employment medical benefits</b>				
Present value of funded obligations	8,533	8,819	-	-
Fair value of scheme assets	(3,000)	(3,333)	-	-
Total deficit/(surplus)	5,533	5,486	-	-
<b>Total post-retirement benefits</b>				
Present value of obligations	7,784	9,139	-	1,255
Fair value of scheme assets	(3,031)	(1,337)	(2,835)	-
Net liability/(asset) in the balance sheet	4,753	7,802	(2,835)	1,255

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.1 Defined benefit pension schemes**

**14.1a Analysis of movement in the net funded obligation**

	Group			Company		
	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000
At 1 January 2020	94,677	(97,722)	(3,045)	78,381	(80,577)	(2,196)
Current service cost	11	-	11	-	-	-
Past service cost, curtailment and settlements	(1,358)	1,407	49	65	-	65
Administration expenses	-	46	46	-	-	-
Interest expense/(income)	1,992	(2,071)	(79)	1,603	(1,650)	(47)
	<u>645</u>	<u>(618)</u>	<u>27</u>	<u>1,668</u>	<u>(1,650)</u>	<u>18</u>
Return on scheme assets excluding amounts included in interest expense	-	(9,395)	(9,395)	-	(7,860)	(7,860)
Actuarial (gain)/loss arising from:						
change in demographic assumptions	(25)	-	(25)	-	-	-
change in financial assumptions	13,854	-	13,854	12,455	-	12,455
Experience gains	<u>(1,495)</u>	<u>-</u>	<u>(1,495)</u>	<u>(1,162)</u>	<u>-</u>	<u>(1,162)</u>
	<u>12,334</u>	<u>(9,395)</u>	<u>2,939</u>	<u>11,293</u>	<u>(7,860)</u>	<u>3,433</u>
Exchange differences	(469)	515	46	-	-	-
Employee contributions	-	-	-	-	-	-
Employer contributions	-	(49)	(49)	-	-	-
Benefits paid	<u>(4,229)</u>	<u>4,229</u>	<u>-</u>	<u>(4,074)</u>	<u>4,074</u>	<u>-</u>
At 31 December 2020	<u>102,958</u>	<u>(103,040)</u>	<u>(82)</u>	<u>87,268</u>	<u>(86,013)</u>	<u>1,255</u>
At 1 January 2021	102,958	(103,040)	(82)	87,268	(86,013)	1,255
Current service cost	-	-	-	-	-	-
Past service cost, curtailment and settlements	(2,312)	3,662	1,350	-	-	-
Administration expenses	-	59	59	-	-	-
Interest expense/(income)	1,406	(1,416)	(10)	1,121	(1,109)	12
	<u>(906)</u>	<u>2,305</u>	<u>1,399</u>	<u>1,121</u>	<u>(1,109)</u>	<u>12</u>
Return on scheme assets excluding amounts included in interest expense	-	(1,764)	(1,764)	-	(1,928)	(1,928)
Actuarial (gain)/loss arising from:						
change in demographic assumptions	1,774	-	1,774	1,826	-	1,826
change in financial assumptions	(4,612)	-	(4,612)	(3,963)	-	(3,963)
Experience losses	1,059	-	1,059	763	-	763
	<u>(1,779)</u>	<u>(1,764)</u>	<u>(3,543)</u>	<u>(1,374)</u>	<u>(1,928)</u>	<u>(3,302)</u>
Exchange differences	158	(163)	(5)	-	-	-
Employee contributions	-	-	-	-	-	-
Employer contributions	-	(800)	(800)	-	(800)	(800)
Benefits paid	<u>(3,792)</u>	<u>3,792</u>	<u>-</u>	<u>(2,144)</u>	<u>2,144</u>	<u>-</u>
At 31 December 2021	<u>96,639</u>	<u>(99,670)</u>	<u>(3,031)</u>	<u>84,871</u>	<u>(87,706)</u>	<u>(2,835)</u>

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.1 Defined benefit pension schemes (continued)**

Assets/liabilities are held in respect of the net benefit obligation as follows:	2021 £'000	2020 £'000
Cash	613	958
Due to pool members	(3,644)	(1,040)
	<u>(3,031)</u>	<u>(82)</u>

**14.1b Analysis of movement in the net unfunded obligation**

	Group Present value of obligation £'000
At 1 January 2020	2,367
Interest expense	68
	<u>68</u>
Actuarial (gain)/loss arising from:	
change in demographic assumptions	(24)
change in financial assumptions	216
Experience losses	28
	<u>220</u>
Exchange differences	(86)
Benefits paid	(171)
At 31 December 2020	<u>2,398</u>
At 1 January 2021	2,398
Interest expense	46
	<u>46</u>
Actuarial (gain)/loss arising from:	
change in demographic assumptions	8
change in financial assumptions	(101)
Experience losses	30
	<u>(63)</u>
Exchange differences	30
Benefits paid	(160)
At 31 December 2021	<u>2,251</u>
Assets/liabilities are held in respect of the net benefit obligation as follows:	
	2021 £'000
Investments at fair value through OCI	2,369
Due to pool members	(118)
	<u>2,251</u>
	2020 £'000
	2,572
	(174)
	<u>2,398</u>

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.2 Post-employment medical benefits**

Analysis of the movement in the post-retirement medical obligation

	Group		
	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 January 2020	9,222	(3,398)	5,824
Current service cost	81	-	81
Plan amendments	(715)	-	(715)
Administrative expenses	-	29	29
Interest expenses/(income)	285	(103)	182
	<u>(349)</u>	<u>(74)</u>	<u>(423)</u>
Return on scheme assets excluding amounts included in interest expense	-	(420)	(420)
Actuarial (gain)/loss arising from:			
change in demographic assumptions	(158)	-	(158)
change in financial assumptions	1,040	-	1,040
Experience gains	(134)	-	(134)
	<u>748</u>	<u>(420)</u>	<u>328</u>
Exchange differences	(303)	117	(186)
Employee contributions	76	(76)	-
Employer contributions	-	(57)	(57)
Benefits paid	(575)	575	-
At 31 December 2020	<u>8,819</u>	<u>(3,333)</u>	<u>5,486</u>
At 1 January 2021	8,819	(3,333)	5,486
Current service cost	81	-	81
Plan amendments	-	-	-
Administrative expenses	-	27	27
Interest expenses/(income)	205	(73)	132
	<u>286</u>	<u>(46)</u>	<u>240</u>
Return on scheme assets excluding amounts included in interest expense	-	150	150
Actuarial (gain)/loss arising from:			
change in demographic assumptions	38	-	38
change in financial assumptions	(474)	-	(474)
Experience gains	36	-	36
	<u>(400)</u>	<u>150</u>	<u>(250)</u>
Exchange differences	119	(41)	78
Employee contributions	36	(36)	-
Employer contributions	-	(21)	(21)
Benefits paid	(327)	327	-
At 31 December 2021	<u>8,533</u>	<u>(3,000)</u>	<u>5,533</u>

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.3 Post-employment benefits (pension and medical)**

Assets/liabilities are held in respect  
of the net benefit obligation as  
follows:

	2021	2020
	£'000	£'000
Investments at fair value through OCI	5,368	6,593
Due from/(to) pool members	165	(1,107)
	<u>5,533</u>	<u>5,486</u>

The significant actuarial assumptions used in determining pension and post-employment benefit obligations for the Group's schemes are shown below:

	2021			2020		
	UK	US	Canada	UK	US	Canada
Discount rate	1.9%	2.4%	3.0%	1.3%	1.8%	2.5%
Pension growth rate	3.4%	N/A	N/A	3.1%	N/A	N/A
Deferred pension growth rate	2.7%	N/A	N/A	2.3%	N/A	N/A

Average life expectancy for pensioners  
aged 62, in years:

Male	26.9	24.6	24.9	25.5	24.5	24.8
Female	28.1	26.1	27.5	27.7	25.9	27.5

Mortality assumptions for 2021 in the UK are from the PCxA00 tables with the CMI 2020 projections and a long term rate of improvement of 1.25% pa; and for 2020 are from the PCxA00 tables with the CMI 2017 projections and a long term rate of improvement of 1.25% pa.

Mortality assumptions for 2021 in the US are from the PRI-2012 Private Pension Plans Mortality Tables with White Collar adjustments projected forward with Scale MP-2021; and for 2020 are from the PRI-2012 Private Pension Plans Mortality Tables with White Collar adjustments projected forward with Scale MP-2019.

Mortality assumptions for 2021 and for 2020 in Canada are from the 2014 CPM Private Sector Mortality Table with Improvement Scale MI-2017.

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.3 Post-employment benefits (pension and medical) (continued)**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 15,465	Increase by 20,045
Pension growth rate	+/-1%	Increase by 12,523	Decrease by 10,355
Deferred pension growth rate	+/-1%	Increase by 2,061	Decrease by 2,456
Medical inflation	Trend +/-1%	Increase by 1,460	Decrease by 1,170
Life expectancy	+/-1 year	Increase by 3,350	Decrease by 2,680

Company	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 13,182	Increase by 17,241
Pension growth rate	+/-1%	Increase by 12,523	Decrease by 10,355
Deferred pension growth rate	+/-1%	Increase by 2,061	Decrease by 2,456
Life expectancy	+/-1 year	Increase by 4,098	Decrease by 3,991

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

Pension and medical scheme assets are comprised as follows:

Group	2021				2020			
	Quoted £'000	Unquoted £'000	Total £'000	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	11,070	-	11,070	10.8%	9,926	-	9,926	9.3%
Debt instruments	53,252	-	53,252	51.9%	57,324	-	57,324	53.9%
Annuities	-	37,609	37,609	36.6%	-	38,490	38,490	36.2%
Cash and cash equivalents	-	739	739	0.7%	-	633	633	0.6%
Total	64,322	38,348	102,670	100.0%	67,250	39,123	106,373	100.0%

Company	2021				2020			
	Quoted £'000	Unquoted £'000	Total £'000	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	7,748	-	7,748	8.8%	7,374	-	7,374	8.6%
Debt instruments	41,918	-	41,918	47.8%	39,752	-	39,752	46.2%
Annuities	-	37,609	37,609	42.9%	-	38,490	38,490	44.7%
Cash and cash equivalents	-	431	431	0.5%	-	397	397	0.5%
Total	49,666	38,040	87,706	100.0%	47,126	38,887	86,013	100.0%



#### **14. POST-RETIREMENT BENEFITS (continued)**

##### **14.4 Risks**

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

##### **14.4a) Asset Volatility**

For the purposes of these financial statements the defined benefit scheme obligations are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, *ceteris paribus*, scheme funding will deteriorate. Both the UK and US schemes hold a proportion of their investments in equities, which are expected to outperform bonds in the long-term while providing increased volatility and risk in the short-term. The UK scheme has a policy of purchasing annuities in respect of pensioner obligations when trustees consider it cost effective to do so.

The Group believes that due to the long-term nature of the scheme obligations and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes cost effectively. See below for more details on the Group's asset-obligation matching strategy.

As the schemes mature, the Group is reducing the level of investment risk by investing more in assets that better match the obligations.

##### **14.4b) Changes in bond yields**

A decrease in bond yields will increase scheme obligations, although this will be partially offset by an increase in the value of the schemes' bond holdings.

##### **14.4c) Inflation risk**

The UK scheme's obligations are linked to inflation, and higher inflation will lead to higher obligations. The majority of the scheme's bond assets are index linked government bonds of long duration which will move broadly in line with the obligations as inflation expectations change. Equity investments are loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Part of the US medical scheme is exposed to inflation in medical costs.

The US pension payments are not linked to inflation, so this is not a relevant risk.

##### **14.4d) Life expectancy**

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' obligations. This is particularly significant in the UK scheme, where inflationary increases to pensions result in higher sensitivity to changes in life expectancy.

##### **14.4e) Insurer default risk**

As a significant proportion of the UK scheme's assets are held in annuities, the scheme bears the risk of the insurance company defaulting on the payments, resulting in the scheme being forced to make additional pension payments.

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**14. POST-RETIREMENT BENEFITS (continued)**

**14.5 Asset matching and funding**

**14.5a) Asset matching**

For the funded schemes, the Group ensures that a portion of the schemes' investments are invested in bonds of a broadly similar duration to and in the same currency as the schemes' obligations. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant proportion of the UK scheme assets are held in annuity policies in respect of almost all of the current pensioner obligations in the scheme. The Scheme has historically bought annuities in respect of pensioner obligations and further purchases may be made in the future for new pensioners. Equities are invested in a globally diversified portfolio of international entities, generally via index tracking funds offered by leading international investment managers.

**14.5b) Funding**

The Group has established a practice with its pool members whereby pension deficits calculated under International Accounting Standards are charged to them and funded by them in the year following the year in which they arise. Such receipts are either paid into the appropriate scheme or held on the balance sheet. The triennial valuation of the UK scheme reported a £3.3 million deficit on 1 January 2021, a recovery plan has been agreed with the pension trustee to repair this deficit. The next triennial valuation is due to be completed as at 1 January 2024.

Expected contributions to post-employment defined benefit schemes for the year ending 31 December 2022 are £2.0 million. At 31 December 2020, the expected contributions for the following year were £0.

The weighted average duration of the defined benefit obligation is 17.4 years (2020: 17.3 years).

**15. PROVISIONS**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 January	302	228	234	228
Additional provisions and increases to provisions	81	68	-	-
Unwinding of discount	6	6	6	6
Exchange differences	(4)	-	-	-
At 31 December	<u>385</u>	<u>302</u>	<u>240</u>	<u>234</u>

The provision for the Company is the present value of the expected dilapidations cost of Fitzwilliam House, which the Company leases for its head office. On expiry of the lease the Company will be required to restore the occupied space to its original condition at its own expense.

The provision for the Group includes statutory expenses payable to French employees on retirement. The expense payable depends on the remuneration of employees during their employment and their length of service. The provision assumes the rate of annual staff turnover is 2%.

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**16. CONTRACT LIABILITIES**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Non-current</b>				
Other management services	859	1,011	27	33
	<u>859</u>	<u>1,011</u>	<u>27</u>	<u>33</u>
<b>Current</b>				
Management services to pool members	6,163	3,540	3,721	1,567
Fireside disaster response	672	509	-	-
Other management services	4,203	4,247	1,102	995
	<u>11,038</u>	<u>8,296</u>	<u>4,823</u>	<u>2,562</u>

Non-current contract liabilities at 31 December 2021 are expected to be recognised as revenue within six years.  
Current contract liabilities at 31 December 2020 were recognised as revenue in the reporting period.

**17. LEASES**

**17.1 Lease amounts in the Balance Sheet**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Property, plant and equipment</b>				
Right-of-use assets				
Premises	9,279	6,042	2,958	3,348
Equipment	132	158	33	56
	<u>9,411</u>	<u>6,200</u>	<u>2,991</u>	<u>3,404</u>
<b>Lease Liabilities</b>				
Non-Current	10,043	5,106	2,837	3,366
Current	1,512	2,129	657	604
	<u>11,555</u>	<u>7,235</u>	<u>3,494</u>	<u>3,970</u>

Additions to right-of-use assets during 2021 were £5,244,000 for the Group (2020: £382,000). Additions for the Company during the year were £139,000 (2020: nil). Disposals of right-of-use assets during 2021 were £21,000 for the Group (2020: £84,000). There were no disposals for the Company during the year (2020: nil). See Note 3c for a maturity analysis of lease liabilities.

**17.2 Lease amounts in the Statement of Comprehensive Income**

	Group	
	2021	2020
	£'000	£'000
<b>Revenue</b>		
Sublease income	41	37
<b>Administrative expenses</b>		
Depreciation charges		
Premises	(1,952)	(2,053)
Equipment	(54)	(70)
Short term lease expenses	(28)	(33)
Low value lease expenses	(21)	(22)
<b>Other gains/(losses)</b>		
Gain on lease disposal	3	6
<b>Finance Costs</b>		
Lease liability interest	(258)	(292)
	<u>(2,269)</u>	<u>(2,427)</u>

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**17. LEASES (continued)**

**17.3 Lease terms and cash flows as a lessee**

Some of the Group's leases contain options to extend the lease term. Where it is reasonably certain that leases will be extended, the additional cash outflows are included in the lease liability at a discounted rate. Otherwise, where extension is not reasonably certain, additional cash outflows are excluded.

Some premises leases contain variable lease payments that are linked to an inflation index. The cash flow impact from a 1.00% increase in the inflation index is shown below.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash outflow from lease payments	2,437	2,622	770	763
<b>Cash outflow from extension options</b>				
Included in the lease term	-	-	-	-
Excluded from the lease term	829	847	-	-
<b>Variable lease payments</b>				
1.00% increase to index	4	4	-	-

**17.4 Lease terms and cash flows as a lessor**

The Group sublets premises as an intermediate lessor where office space has become superfluous. The terms of the sublease issued match the head lease, but the Group retains the credit risk for the sublease. The following payments are receivable in respect of the sublet premises:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Less than one year	41	38	-	-
1 to 2 years	21	38	-	-
2 to 3 years	-	19	-	-
	<u>62</u>	<u>95</u>	<u>-</u>	<u>-</u>

**18. REVENUE**

	2021	2020
	£'000s	£'000s
<b>Revenue from services provided during the period</b>		
Management services to pool members	55,524	46,673
Other management services	7,113	10,396
Fireside disaster response	1,853	1,475
Sublease income	41	37
<b>Revenue from services provided in prior periods</b>		
Management services to pool members	5,674	561
Other revenue		
Foreign exchange gain	4	27
	<u>70,209</u>	<u>59,169</u>

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**19. ADMINISTRATIVE EXPENSES**

	2021 £'000	2020 £'000
Depreciation, amortisation and impairment charges	3,519	3,528
Employee benefit expense (see Note 19.2)	39,392	32,584
Other expenses	15,580	11,085
	<u>58,491</u>	<u>47,197</u>

**19.1 Auditors' remuneration**

During the year, the Group's auditors provided the following services:

	2021 £'000	2020 £'000
<b>Fees payable to Mazars:</b>		
<b>Audit services</b>		
Audit of the consolidated financial statements	106	95
<b>Non-audit services</b>		
Tax services	45	57
Other services not covered above	230	218
<b>Fees in respect of the Global Aerospace pension scheme</b>		
Audit	9	9
	<u>390</u>	<u>379</u>
<b>Fees payable to MNP:</b>		
<b>Audit services</b>		
Audit of Canadian subsidiary financial statements	12	11
<b>Non-audit services</b>		
Tax services	5	4
Other services not covered above	50	46
<b>Fees in respect of the Global Aerospace pension scheme</b>		
Audit	12	11
	<u>79</u>	<u>72</u>
<b>Fees payable to SEC Burette:</b>		
<b>Audit Services</b>		
Audit of French subsidiary financial statements	9	11
	<u>478</u>	<u>462</u>

**19.2 Employee benefit expenses**

	2021 £'000	2020 £'000
Wages and salaries	34,775	27,577
Social security costs	3,363	2,443
Other pension costs – defined contribution plans	2,871	2,891
Other pension costs – defined benefit plans	(1,857)	(411)
Other post-employment benefits	240	84
	<u>39,392</u>	<u>32,584</u>

**19.3 Employee numbers**

	2021	2020
<b>Average number of employees:</b>		
UK	89	86
Canada	26	27
US (Global Aerospace Inc.)	166	165
US (Fireside Partners Inc.)	39	47
Switzerland	6	6
France	12	11
Germany	3	3
	<u>341</u>	<u>345</u>

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**20. OTHER GAINS/(LOSSES)**

	2021 £'000	2020 £'000
Gain on disposal of financial assets at fair value through other comprehensive income	112	333
Gain/(loss) on disposal of property, plant and equipment	<u>(30)</u>	<u>5</u>
	<u>82</u>	<u>338</u>

**21. FINANCE INCOME AND COSTS**

	2021 £'000	2020 £'000
<b>Finance income</b>		
Other interest	<u>262</u>	<u>607</u>
	<u>262</u>	<u>607</u>
<b>Finance costs</b>		
Shareholder loan interest	-	(370)
Lease interest	(258)	(292)
Other interest	<u>(8)</u>	<u>(8)</u>
	<u>(266)</u>	<u>(670)</u>

Finance income and costs are interest on financial instruments.

**22. INCOME TAX EXPENSE**

	2021 £'000	2020 £'000
<b>Current tax:</b>		
- on profit for the year	2,677	2,547
- adjustments in respect of prior years	32	(733)
Deferred tax (see Note 7)	<u>(281)</u>	<u>540</u>
	<u>2,428</u>	<u>2,354</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2021 £'000	2020 £'000
Profit before tax	11,796	12,247
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,468	2,429
Expenses not deductible for tax purposes	47	41
Change in tax rates or regulations	(106)	28
Adjustments in respect of prior years	18	(146)
Excess foreign taxes	1	2
	<u>2,428</u>	<u>2,354</u>

The weighted average applicable tax rate was 20.93% (2020: 19.84%).

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**22. INCOME TAX EXPENSE (continued)**

The tax charge/(credit) relating to components of other comprehensive income is as follows:

		2021 Tax charge/ (credit) £'000	After Tax £'000
	Before tax £'000		
Re-measurement of defined benefit obligation	(3,856)	958	(2,898)
Losses on financial assets measured at FVOCI	622	(153)	469
Currency translation difference	(1,113)	-	(1,113)
Other comprehensive expense/(income)	<u>(4,347)</u>	<u>805</u>	<u>(3,542)</u>
Current tax		-	
Deferred tax		805	
		<u>805</u>	
		2020 Tax charge/ (credit) £'000	After tax £'000
	Before tax £'000		
Re-measurement of defined benefit obligation	3,487	(665)	2,822
Gains on financial assets measured at FVOCI	(488)	120	(368)
Currency translation difference	2,631	-	2,631
Other comprehensive expense	<u>5,630</u>	<u>(545)</u>	<u>5,085</u>
Current tax		-	
Deferred tax		(545)	
		<u>(545)</u>	

**23. NET FOREIGN EXCHANGE GAINS/(LOSSES)**

The exchange differences credited/(charged) to the statement of comprehensive income are included as follows:

	2021 £'000	2020 £'000
Revenue	4	27
Other Comprehensive Income	1,113	(2,631)
	<u>1,117</u>	<u>(2,604)</u>

**24. DIVIDENDS PER SHARE**

The interim dividends paid in 2021 and 2020 were £7,439,000 (9.86 pence per share) and £5,253,000 (6.96 pence per share) respectively. No final dividends were paid (2020: nil).

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**25. CASH GENERATED FROM OPERATIONS**

**A) Group**

	2021 £'000	2020 £'000
Profit before taxation	11,796	12,247
Adjustments for:		
Amortisation	766	742
Depreciation	2,753	2,786
Realised gain on sale of investments (FVOCI)	(112)	(333)
Realised gain/(loss) on sale of property, plant and equipment	30	(5)
Finance income	(262)	(607)
Finance costs	266	670
Post-employment benefits	3,856	(3,487)
Changes in working capital		
Trade and other receivables	(5,692)	3,930
Trade and other payables	2,673	(1,279)
Provisions	87	74
<b>Cash generated from operations</b>	<b><u>16,161</u></b>	<b><u>14,738</u></b>

**B) Company**

	2021 £'000	2020 £'000
Profit before taxation	7,418	11,653
Adjustments for:		
Amortisation	91	101
Depreciation	668	659
Dividends receivable	(3,699)	(3,906)
Finance income	(2)	(24)
Finance costs	113	501
Post-employment benefits	3,302	(3,433)
Changes in working capital		
Trade and other receivables	(4,062)	476
Trade and other payables	7,250	1,034
Provisions	6	6
<b>Cash generated from operations</b>	<b><u>11,085</u></b>	<b><u>7,067</u></b>



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**26. COMPANY INFORMATION AND PRINCIPAL SUBSIDIARIES**

The Company is incorporated and domiciled in England, and is a company limited by shares.

The Company owns the entire share capital of GAUM Holdings Inc. (formerly Global Aerospace Underwriting Managers (USA) Inc.) registered in Delaware, USA and the US company owns the entire share capital of Global Aerospace, Inc. registered in Delaware, USA, which is the management company for the Group in the US. It also owns Fireside Partners, Inc. registered in Delaware, USA which was acquired in April 2015.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Canada) Limited (incorporated in Canada), which is the management company for the Group in Canada.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Europe) SAS which was incorporated in France on 25 July 2018. The Company transferred its French and German business into Global Aerospace Underwriting Managers (Europe) SAS, in exchange for newly issued shares, with retroactive effect on 1 January 2019. Global Aerospace Underwriting Managers (Europe) SAS was established to ensure continuity of business in the European Union after Brexit. Refer to 'Impact of Brexit' in the Strategic Report above for further details.

The Company owns the entire share capital of British Aviation Insurance Group (Underwriting Services) Limited, British Aviation Insurance Group (Technical Services) Limited, BAIG Limited, Global Aerospace Underwriters Limited, Associated Aviation Underwriters Limited and Global Limited. All of these companies are registered in England and were dormant throughout the year.

All subsidiaries are included in the consolidated financial statements.

**27. RELATED PARTY TRANSACTIONS**

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Re) holds 51% of the Company's share capital and Northern States Agency, Inc. holds 49%.

The Articles of Association provide that the voting rights between Shareholders are equal. Resolutions at directors' meetings are decided by a majority of votes cast, with each Shareholder having an equal number of votes. Therefore, there is no ultimate controlling party of the Company.

The pool member National Indemnity Company is under common ownership with Northern States Agency, Inc.

Management fees, profit commission, and management charges were charged to these parties as follows:

	Management fees		Profit commission		Management charges	
	2021	Restated 2020	2021	Restated 2020	2021	Restated 2020
	£'000	£'000	£'000	£'000	£'000	£'000
National Indemnity*	1,650	1,559	1,042	200	9,926	8,747
Munich Re**	4,482	4,236	2,831	542	25,540	21,952

At year end the following balances were due to and from these parties:

	Amounts owed to related party		Amounts owed by related party	
	2021	Restated 2020	2021	Restated 2020
	£'000	£'000	£'000	£'000
National Indemnity*	264	280	2,494	1,727
Munich Re**	441	779	6,969	1,586

\* includes other fellow companies under common ownership with the National Indemnity Company.

\*\* includes other fellow companies under common ownership with Munich Re.

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**27. RELATED PARTY TRANSACTIONS (continued)**

In 2021, the Group purchased internal audit services from Resolute for £14,100 (2020: £21,800) and received fees from Net Jets Inc. of £87,200 (2020: £99,400) and from Flight Safety International of £13,100 (2020: none). The Company also received management charge funding of £2,300 (2020: £2,300) from Tenecom Limited, a run-off pool member. Resolute, Net Jets Inc., Flight Safety International and Tenecom Limited are fellow group companies of Northern States Agency, Inc.

In 2021, the Group paid Munich Re and the Munich American Reinsurance Company, a fellow group company of Munich Re, £197,400 (2020: £177,300) for leased office space in Paris and Atlanta; no amounts were prepaid in respect of future reporting periods (2020: £2,200). The Paris lease agreement is non-cancellable until November 2022 and the Atlanta lease agreement expired during 2021. The Group has a £113,100 (2020: £281,900) commitment to the Munich Re group in respect of these leases included in Note 17 above.

At 31 December 2021 the parent Company had amounts due from subsidiaries of £862,000 (2020: £2,191,000 and due to subsidiaries of £655,000 (2020: £50,000).

**Key management compensation**

	2021 £'000	2020 £'000
Salary and short-term benefits	3,416	3,207
Post-employment benefits	182	197
Bonus based on pool trading profits	<u>2,302</u>	<u>14</u>
Total	<u>5,900</u>	<u>3,418</u>

During 2021, a close family member of a key manager received compensation of £393,000 (2020: £288,000) as an employee. No impairments or provisions were recognised during the period and there were no outstanding balances or commitments at the reporting date in respect of this close family member.

During 2021, three key managers purchased used phones from the Company at a cost of £170 each and another key manager purchased a used phone from the Company at a cost of £395. The amounts charged were the open market fair values at the time. There were no outstanding balances or commitments at 31 December 2021 in respect of these transactions and no bad or doubtful debts have been recognised.

**Directors' Remuneration**

	2021		2020	
	Highest Paid Director £'000	Total Emoluments £'000	Highest Paid Director £'000	Total Emoluments £'000
Salary and other benefits	378	716	377	711
Bonus based on pool trading profits	750	975	2	3
Total	<u>1,128</u>	<u>1,691</u>	<u>379</u>	<u>714</u>

The bonus paid on pool trading profits are amounts relating to profits of prior pool years. No Company contributions were made into pension schemes for directors in 2020 or 2021.

**28. EVENTS AFTER THE REPORTING PERIOD**

The following non-adjusting event occurred after 31 December 2021:

**Russian Invasion of Ukraine**

The impact on management fees which are derived from estimated gross written premiums is expected to be immaterial. Claims linked to the conflict may arise in 2022 on policies underwritten in 2021 not subject to sanctions, and this would affect profit commission. The impact is very uncertain because we cannot be sure how policy wordings will ultimately be interpreted, but our current expectation is that the effect will be minor.